

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

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In re Applications of)	
)	
Atlantic Tele-Network, Inc.,)	WT Docket No. 09-119
)	
and)	
)	
Cellco Partnership d/b/a Verizon Wireless)	
)	
for Consent to Assign or Transfer Control)	
of Licenses and Authorizations)	
)	
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**RESPONSE OF ATLANTIC TELE-NETWORK, INC. TO
GENERAL INFORMATION REQUEST DATED NOVEMBER 19, 2009**

December 17, 2009

In response to the letter dated November 19, 2009 from Ruth Milkman, Chief of the Wireless Telecommunications Bureau, and the General Information Request attached thereto (the “General Information Request”), Atlantic Tele-Network, Inc. (“ATN”) hereby provides narrative answers to the questions included in Sections II, III and IV of the General Information Request, as well as responsive documents as applicable. ATN understands that Cellco Partnership d/b/a Verizon Wireless (“Verizon Wireless”) will separately submit responses to the questions included in Sections V and VI of the General

Information Request. ATN's submission reflects agreements with Commission staff as to the scope and meaning of individual questions. Unless otherwise defined herein, capitalized terms shall have the meanings set forth in Section I of the General Information Request.

ATN's response is based on a review of available documents reasonably likely to contain responsive information, as well as on inquiries of those individuals and available sources reasonably likely to have relevant information, including the trustee currently managing the Divestiture Assets ("Management Trustee"). In certain cases, ATN does not maintain in the ordinary course of business some of the information requested, or does not maintain the information in the precise manner requested. With respect to information that was not reasonably available within the time frame permitted by the General Information Request or in the form requested, ATN has made commercially reasonable efforts to provide information to the extent possible.

Much of the narrative, attachments and submitted documents contain material that is extremely sensitive from a commercial, competitive and financial perspective, and that, in the normal course of its business, ATN would not reveal to the public, to its competitors or to other third parties. Where appropriate, therefore, such material is being submitted on a confidential basis pursuant to the *Protective Order*¹ and the *Second*

¹ Applications of Atlantic Tele-Network, Inc. and Celco Partnership d/b/a Verizon Wireless For Consent To Assign or Transfer Control of License and Authorizations, WT Docket No. 09-119, *Protective Order*, DA 09-2448 (rel. Nov. 19, 2009) ("*Protective Order*").

*Protective Order*² in this proceeding. The confidential, unredacted submission is marked “*HIGHLY CONFIDENTIAL INFORMATION - SUBJECT TO SECOND PROTECTIVE ORDER IN WT DOCKET NO. 09-119 before the Federal Communications Commission.*” A version redacting the confidential information and available to the public is being filed electronically in the Commission’s Electronic Comment Filing System (“ECFS”).

ATN requests the return of all confidential material at the conclusion of this proceeding.

[remainder of this page intentionally left blank – responses follow]

² Applications of Atlantic Tele-Network, Inc. and Cellco Partnership d/b/a Verizon Wireless For Consent To Assign or Transfer Control of License and Authorizations, WT Docket No. 09-119, *Second Protective Order*, DA 09-2600 (rel. Dec. 16, 2009) (“*Second Protective Order*”).

Section II: Questions Regarding the Divestiture CDMA Network

In their Petition to Deny, Bulloch Cellular, Inc., Planters Rural Cellular, Inc., and Plant Cellular RSA 8, Inc. (collectively, “Georgia Partners”) state that ATN was “considering overbuilding rural portions of the Georgia Cluster [as defined in footnote 6 of the Georgia Partners Petition to Deny], including the Georgia 8 RSA with a GSM roam-only network to capture revenue from GSM carriers in the area.” The Georgia Partners further state that “in order to dedicate spectrum to a roam-only GSM network, ATN would have to *reduce* the amount of spectrum dedicated to the existing [CDMA] subscriber base causing the retail service to deteriorate.” Georgia Partners Petition to Deny at 11. In addition, in their Reply to the Joint Opposition, the Georgia Partners note that the Applicants did not refute in their Joint Opposition that ATN plans to overlay the existing CDMA network with a GSM network. Georgia Partners Reply at 9.

1. Does ATN plan to build a GSM network in the Divestiture Markets it proposes to acquire?
 - a. If yes, identify the CMAs and the timeframes in which ATN plans to build the GSM network.
 - b. Will this be a 2G or 3G GSM network?
 - c. How will ATN ensure the quality of service to subscribers using the Divestiture CDMA Network if it is operating a GSM network using the same spectrum?
 - d. Does ATN plan on offering voice or data roaming on any planned GSM network?

RESPONSE TO QUESTION II.1: ATN has no plans at this time to build a new GSM network in the Divestiture Markets. As you know, the existing customer network ATN is acquiring employs CDMA technology and we expect that will be our focus. If, in the future, ATN were to consider deploying GSM service in the Divestiture Markets, it would carefully weigh the technical feasibility and economic benefits of a GSM network in the Divestiture Markets against any possible impact on ATN’s ability to maintain superior coverage and service to its CDMA network customers in these areas and to effectively compete against other carriers. Please note that certain Divestiture Markets (such as those in Idaho) include GSM networks that provide roaming coverage to customers of other carriers. ATN expects to maintain those networks and continue to provide voice and data roaming services and may enhance and improve the coverage in those markets should it make economic sense to do so.

2. Please provide on a CMA basis whether the Divestiture CDMA Network is 2G or 3G. If there are CMAs where the Divestiture CDMA Network is 2G, does ATN plan to upgrade the network to 3G? If yes, describe the timeframe,

amount of planned investment and how it will be financed, and the scope of deployment for this upgrade.

RESPONSE TO QUESTION II.2: Based on information that has been provided to ATN by the Management Trustee, we understand that the Divestiture CDMA Network is 3G for all CMAs.

- 3. Does ATN have plans to upgrade the Divestiture CDMA Network to 4G in the Divestiture Markets? If so, describe the timeframe, amount of planned investment and how it will be financed, the scope of deployment, and the technology ATN plans to use in the Divestiture Markets.**

RESPONSE TO QUESTION II.3: *[Highly Confidential]*

[REDACTED]

[End Highly Confidential]

Section III: Questions for ATN Regarding its Capabilities

The Applicants assert that ATN has sufficient experience in the industry to ensure that the public interest benefits of the transaction are realized. Joint Opposition at 2. They further state that "ATN has been focused on its transition planning to ensure that it will be able to successfully manage and operate the to-be divested networks from day one and provide a smooth transition for existing customers." Joint Opposition at 4. In addition, the Applicants assert that "ATN's strong financial position contributed to its selection by Verizon Wireless as the acquirer for these assets, and its strong balance sheet will enable it to access capital to make required investments more easily than others might." Joint Opposition at 6-7. The Applicants note ATN's public announcement that 450 ALLTEL employees will become ATN employees, and that ATN is "putting in place a senior management team comprised of wireless industry veterans to lead the new entity that will run ATN's retail wireless business in the divested markets." Joint Opposition at 7.

1. Describe in detail ATN's transition plans.

RESPONSE TO QUESTION III.1: *[Highly Confidential]*

[REDACTED]

[End Highly Confidential]

2. Provide a copy of the Transition Services Agreement between ATN and Verizon Wireless.

RESPONSE TO QUESTION III.2: Please find the Transition Services Agreement and its accompanying schedules attached as Attachments III(2)(A) and III(2)(B), respectively, as submitted to the Department of Justice for its review. The basic terms of the Transition Services Agreement were entered into by Verizon Wireless and ATN at the time that the Purchase Agreement was signed on June 9, 2009 and the accompanying schedules were agreed to on November 2, 2009. *[Highly Confidential]*

[REDACTED]

[End Highly Confidential]

3. Provide a copy of ATN's business plan for the subject systems.

RESPONSE TO QUESTION III.3: *[Highly Confidential]* [REDACTED] *[End Highly Confidential]* Please refer to Attachment III(3) for *[Highly Confidential]*

[REDACTED]

[End Highly Confidential]

4. The Description of Transaction and Public Interest Statement, at page 5, states that "ATN has negotiated a fair and reasonable roaming arrangement with Verizon Wireless that will protect its ability to offer competitive regional and national rate plans to its subscribers comparable to those currently available from the Former ALLTEL."
- a. Is this agreement with Verizon Wireless concerning roaming arrangements included as part of the Transition Service Agreement or is it embodied in a separate agreement? How long will these roaming arrangements remain in place? Are there roaming arrangements for voice and/or data?
 - b. What are ATN's plans to ensure voice and/or data roaming coverage for its customers after the expiration of the Transition Services Agreement with Verizon Wireless? Has ATN started to negotiate a roaming agreement with any other CDMA carrier?
 - c. Provide a copy of any voice and/or data roaming agreements that ATN has entered into, including the agreement with Verizon Wireless referenced above if it is not incorporated into the Transition Services Agreement.

RESPONSE TO QUESTION III.4: ATN's agreement with Verizon Wireless concerning roaming arrangements is not part of the Transition Service Agreement, but rather is embodied in a separate agreement. This roaming agreement was included in the disclosure schedules to the Purchase Agreement entered into between ATN and Verizon

Wireless on June 9, 2009, *[Confidential]* [REDACTED]
[End Confidential] *[Highly Confidential]* [REDACTED] *[End*
Highly Confidential] Because ATN's roaming agreement with Verizon Wireless is not
part of its Transition Services Agreement with Verizon Wireless, ATN will be able to
provide voice and/or data roaming for its customers under the roaming agreement even
after the Transition Services Agreement expires. Please find a copy of the roaming
agreement between ATN and Verizon Wireless applicable to the Divestiture CDMA
Network attached as Attachment III(4)(c). *[Highly Confidential]*

[REDACTED]

[End Highly Confidential]

- 5. Identify the senior management team ATN has assembled to date that will run the retail wireless business in the Divested Markets. Include name, title, and prior relevant experience for each individual, including wireless experience, if any. Please provide detail on ATN's plan to hire any additional senior management team members.**

RESPONSE TO QUESTION III.5: Frank O'Mara, a former Executive Vice President of ALLTEL, serves as Chief Executive Officer of our newly formed subsidiary, Allied Wireless Communications Corporation ("AWCC"), which will operate the retail wireless business in the Divested Markets.⁴ Mr. O'Mara is a thirteen-year veteran of the wireless industry and has served as the former Chief Marketing Officer, Executive Vice President of Customer Care, and Vice President of Product Management of ALLTEL during his tenure with that Company.

Wade McGill, former President of Business Solutions at ALLTEL, serves as AWCC's Chief Administrative Officer. In his twelve years at ALLTEL, Mr. McGill was responsible for the growth and management of ALLTEL's business, enterprise and national accounts for wireless voice and data solutions and served in a variety of management positions including senior vice president of product management and development, vice president and general manager, vice president of customer service and director of information technology.

³ [REDACTED]

⁴ See Press Release, "Atlantic Tele-Network, Inc. Appoints Frank O'Mara CEO of ALLTEL Divestitures Unit", dated September 30, 2009, available at <http://www.atni.com/news.html>. The original name of this ATN subsidiary, Atlantic Wireless Communications Corporation, was changed to Allied Wireless Communications Corporation on December 8, 2009.

Lewis Langston, former Executive Vice President of Process and Support at ALLTEL, serves as AWCC's Chief Information Officer. Mr. Langston has over twenty-five years of experience in the IT and software industry, twelve of which were spent at a senior level.

In addition, we have recently hired C.J. Duvall as our Director of Human Resources and Sheila Hensley as our Director of Financial Planning. Both Mr. Duvall and Ms. Hensley formerly held positions with ALLTEL and have extensive experience in the telecom and wireless industries..

More information about AWCC's current management, including their bios, is included at <http://www.awcc.com/about.html>

[Confidential]

[REDACTED]

[End Confidential]

6. Describe more fully the categories of ALLTEL employees that ATN will hire.
 - a. How many employees are in each category?
 - b. What are the geographic locations of these employees?
 - c. Will the geographic locations of these employees change post-transaction? If so, describe in more detail.

RESPONSE TO QUESTION III.6: *[Confidential]*

[REDACTED]

[End Confidential]

7. Describe in detail ATN's "strong balance sheet and access to capital."

RESPONSE TO QUESTION III.7: ATN considers its balance sheet strong because after the use of cash and debt to close this transaction its debt will be substantially less than 2.0x its operating income less depreciation and amortization, and its debt to equity ratio will be less than 1:1. We believe those rates are considered very healthy and "low-leveraged" for the telecommunications industry. Please refer to Attachment III(7) for ATN's unaudited balance sheet and related statements of income for the third quarter of

2009.⁵ As reported in our public filings with the Securities and Exchange Commission, ATN has experienced growth in total revenue and operating income for the most recently completed financial period.⁶ As disclosed in our 10-Q filed for the quarter ended September 30, 2009, ATN reported that we have obtained commitments from lenders to expand our existing credit facility to help finance the purchase of the Divestiture Assets and for ongoing working capital and investment needs. We expect to enter into definitive agreements for the expanded credit facility before the end of this year.⁷ As a public company with a strong track record, we also believe we have ready access to additional capital at a reasonable cost.

8. What “required investments” does ATN expect to make in the Divestiture Markets? Specify likely amounts, timeframes, the types of investments expected, and how ATN plans to finance these investments.

RESPONSE TO QUESTION III.8: Please refer to Attachment III(3) for *[Highly Confidential]*

[REDACTED]

[End Highly Confidential]

As previously presented to the FCC, the slides attached along with Attachment III(c) illustrate ATN’s track record of strategic acquisitions, diligent investment, and successful return on capital with its existing subsidiaries. ATN is committed to investing in the Divestiture Markets to expand and improve the scope of services for existing and new customers.⁸

⁵ See Part I, Item I “Unaudited Condensed Consolidated Financial Statements” in Atlantic Tele-Network, Inc. Quarterly Report on Form 10-Q, as filed with the Securities and Exchange Commission, on November 9, 2009, available at <http://yahoo.brand.edgar-online.com/DisplayFiling.aspx?dcn=0001104659-09-063668>.

⁶ See Atlantic Tele-Network, Inc. Current Report on Form 8-K, as filed with the Securities and Exchange Commission, on October 30, 2009, available at <http://yahoo.brand.edgar-online.com/DisplayFiling.aspx?dcn=0001104659-09-061290>.

⁷ See Atlantic Tele-Network, Inc. Quarterly Report on Form 10-Q, as filed with the Securities and Exchange Commission, on November 9, 2009, at p. 10.

⁸ See Press Release, “Atlantic Tele-Network, Inc. Announces Update Regarding ALLTEL Divestiture Acquisition”, dated June 30, 2009, available at <http://www.atni.com/news.html>.

Part IV: Questions for ATN Regarding Service, Rate Plans, and Handsets

- 1. To what types of rate plans do the Divestiture Customers currently have access?**
 - a. Do they have access to both nationwide and regional rate plans?**
 - b. Do the regional plans vary by location?**
 - c. Are they offered family plans or data-only plans, and are they offered over the entire service area?**
 - d. How do ATN's service plans compare to the service plans the Divestiture Customers currently have?**

RESPONSE TO QUESTION IV.1: Since the close of the Verizon Wireless-ALLTEL transaction, the Divestiture Assets have been managed independently by the Management Trustee, as required by the Commission and the Department of Justice. It is ATN's understanding that Divestiture Customers have access to rate plans generally similar to those that were offered by ALLTEL in the period before the Management Trustee assumed responsibility for the Divestiture Assets. Customers have access to family plans, national plans, local plans, Smart Choice rate plans designed for smartphones, wireless internet plans, wi-fi plans, and prepaid plans.⁹ According to the Management Trustee, plans available in the Divestiture Markets include a variety of national plans as well as Greater Freedom regional plans which typically include a one-to-three state coverage area.

According to the Management Trustee, the regional plans for customers in the Divestiture Markets vary by location. In the Divestiture Markets, the Greater Freedom plans usually consist of a multi-state coverage area surrounding the home market.

According to the Management Trustee, customers in the Divestiture Markets have access to both family plans and data-only plans which are used for air cards. There are no data-only plans for phones in these areas. Family plans are available either over the local Greater Freedom coverage area or in the National Freedom coverage area.

[Highly Confidential]

[REDACTED]

[End Highly Confidential]

⁹ See Alltel Wireless, [http:// www.shopalltel.com](http://www.shopalltel.com) (last visited Dec. 16, 2009).

¹⁰ [REDACTED]

- 2. Describe ATN's transition plan for the Divestiture Customers post-transaction.**
- a. How and when will the Divestiture Customers be notified of the transition?**
 - b. What information will they receive?**

RESPONSE TO QUESTIONS IV.2.a and IV.2.b: ATN's post-transaction communications plans are currently being drafted and assessed by our management team. We plan to notify Divestiture Customers of the transition upon consummation of the transaction via letters from AWCC. *[Confidential]*

[REDACTED]

[End

Confidential] In addition, upon consummation, we plan to post on AWCC's website FAQs (frequently asked questions) directed at Divestiture Customers. Customer-facing teams will also have access to FAQs and training in an effort to answer any questions that they may receive about the transaction during on-going Divestiture Customer interactions.

- c. Will ATN modify the rate plans of the Divestiture Customers?**
- e. Will the price of service increase for Divestiture Customers? If yes, specific services that will experience a price increase and the amount of the price increase.**

RESPONSE TO QUESTION IV.2.c and IV.2.e: *[Highly Confidential]*

[REDACTED]

Confidential]

[End Highly

- f. How will the Divestiture Customers' service be transitioned?
- g. Will customers require new handsets/devices once ATN operates the network? If yes, will ATN fully or in part subsidize new handsets/devices for Divestiture Customers?

RESPONSE TO QUESTIONS IV.2.f and IV.2.g: The Divestiture Customers' service will be transitioned in a manner designed to maintain effective and courteous customer service and to minimize any disruptions in service. *[Highly Confidential]*

[REDACTED]

[End Highly Confidential]

ATN is committed to completing the transition in an efficient, comprehensive and transparent manner.

[Highly Confidential]

[REDACTED]

[End Highly Confidential]

- 3. How many retail stores will ATN acquire in the Divestiture Markets?
 - a. Will ATN operate all of the retail stores acquired? If not, please identify the number of stores ATN will shut down, the CMA where each store is located, and the specific plans to shut down the stores, including planned timeframes. Also, identify whether the CMA will have any remaining retail outlets for ATN's service, and if so the number of remaining stores in the CMA.

RESPONSE TO QUESTION IV.3: *[Confidential]* [REDACTED]
[End Confidential] *[Highly Confidential]*
Confidential] [REDACTED] *[End Highly Confidential]*

4. Will ATN have a retail presence on the Internet for the Divestiture Assets?
 - a. Will new customers be able to purchase service on the Internet?
 - b. Will customers be able to purchase handsets on the Internet?
 - c. Will current customers be able to modify their service plans on the Internet?

RESPONSE TO QUESTION IV.4: ATN will have a full retail presence on the Internet for Divestiture Assets. Both the Divestiture Customers and potential new customers will be able to access information regarding service plans and handsets on the Internet, and will be able to purchase service as well as access their account and manage their service on-line. During the term of the Transition Services Agreement, Verizon and ATN will work together to maintain the existing functionality of the alltel.com website and accompanying e-commerce functions for the convenience of existing and new customers.

5. Does ATN plan to sell service through authorized dealers? If yes, which dealers has ATN approached or signed a contract with?

RESPONSE TO QUESTION IV.5: *[Confidential]* [REDACTED]
[End Confidential] *[Highly Confidential]*
[REDACTED]
[End Highly Confidential]

Attachment III(2)(A)

In response to Question III.2

This attachment, consisting of pages III(2)(A)-1 through III(2)(A)-22, has been redacted in its entirety.

Attachment III(2)(B)

In response to Question III.2

This attachment, consisting of pages III(2)(B)-1 through III(2)(B)-133, has been redacted in its entirety.

Attachment III(3)

In response to Questions III.3 and III.8

Pages III(3)-1 through III.(3)-17 have been redacted.



Strong History of Network and Retail Investment

(\$ in millions)



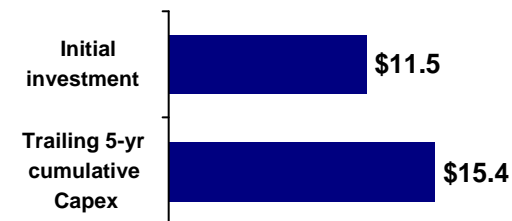
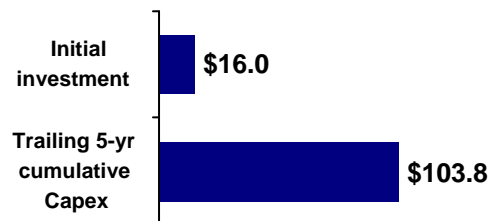
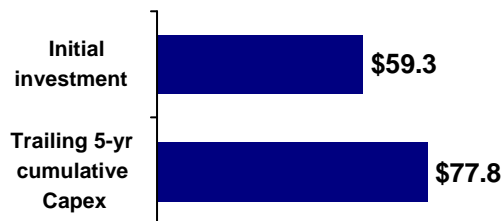
Operating since

2005

1991

1998

Historical
Capex /
Investment



Investment
Philosophy

- Aggressive Build-out
- Engineering Network and Procurement are competitive advantages
- Focused on "White Space"

- Full-scale Wireline and Wireless Build-out
- Early and Continuing Proponent of Third World Telecom Demand

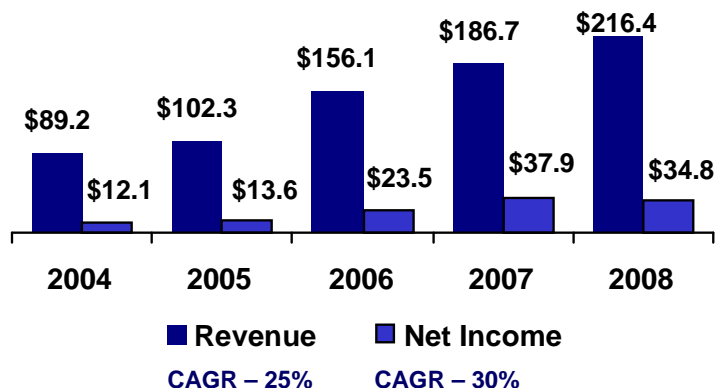
- Take on Incumbent
- Network and Coverage Leader
- Retail / Marketing / Customer Service Focus

Successfully leveraging local management / brand identity

Steady and Consistent Growth Profile

Consistently Strong Financial Performance

(\$ in millions)



Strong Growth Profile

- **Revenue:** Consecutive YoY growth for the past 21 quarters
 - 14 out of 21 quarters with double digit growth
- **Net Income:** 17 out of the past 21 quarters had YoY growth
 - 16 quarters With double digit growth
 - Return on Equity: 12% – 20% annually
 - Return on Assets: 7% – 12% annually

Strong, Conservative Balance Sheet

Cash ^(a)	\$84.8
Total Debt	74.4
Total Debt/LTM 3/31/09 EBITDA	< 1.0x

(a) Cash and Short-term Investments at 03/31/09.

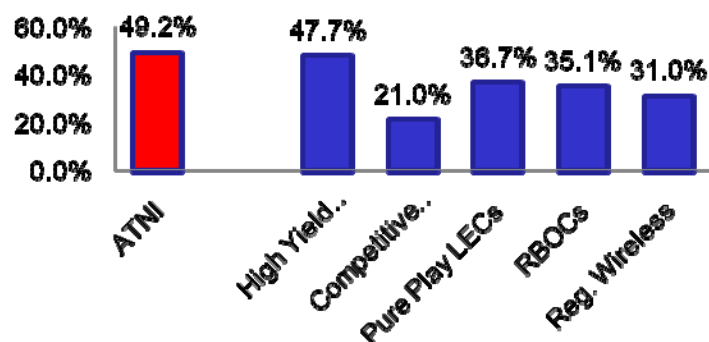
Access to Liquidity

- **Debt Markets**
 - \$75mm undrawn revolver
 - \$50mm accordion facility
 - Friendly bank group
- **Equity Markets:** Stable and Supportive Shareholder Base
- **ATN Operations:** FCF positive (~\$20mm in 2009)

Strong Performance/Conservative Financial Profile

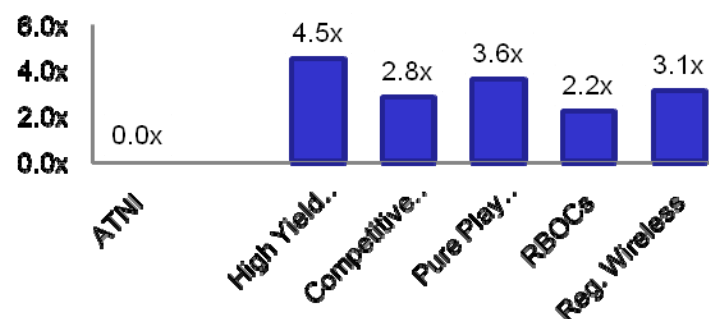
Strong Operating Margins

LTM EBITDA Margin



Conservative Debt Profile

Net Debt / EBITDA



Source: Stifel Nicolaus weekly trading analysis from 5-09 report.

- **Forbes:** “Best Small Companies” (2007 & 2008)
- **Fortune Magazine:** “Fastest Growing Small Public Companies” (2007, 2008 & 2009)
“Fastest Growing Public Companies” (2009)
- **Boston Globe:** “Boston’s Top 100 Public Companies” (2007, 2008 & 2009)

Attachment III(4)(c)

In response to Question III.4.c

This attachment, consisting of pages III(4)(c)-1 through III(4)(c)-88, has been redacted in its entirety.

Attachment III(7)

In response to Question III.7

PART I—FINANCIAL INFORMATION
Item 1. Unaudited Condensed Consolidated Financial Statements

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Dollars in thousands, except per share amounts)

	December 31, 2008	September 30, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 79,665	\$ 95,442
Restricted cash	—	3,578
Short term investments	2,956	—
Accounts receivable, net of allowances of \$2.5 million and \$3.9 million, respectively	26,779	31,926
Materials and supplies	5,669	5,411
Prepaid income taxes	10,708	—
Deferred income taxes	1,443	1,443
Prepayments and other current assets	4,101	3,205
Total current assets	<u>131,321</u>	<u>141,005</u>
Fixed asset, net	198,230	207,647
Licenses	33,658	34,606
Goodwill	40,237	40,361
Other intangibles, net	2,456	1,993
Deferred income taxes	8,570	7,752
Other assets	5,349	5,892
Total assets	<u>\$ 419,821</u>	<u>\$ 439,256</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 750	\$ 750
Accounts payable and accrued liabilities	28,707	26,012
Dividends payable	2,777	3,088
Accrued taxes	8,631	10,374
Advance payments and deposits	3,652	3,263
Other current liabilities	3,395	5,972
Total current liabilities	<u>47,912</u>	<u>49,459</u>
Deferred income taxes	28,736	28,736
Other liabilities	8,202	6,452
Long-term debt, excluding current portion	73,311	72,811
Total liabilities	<u>158,161</u>	<u>157,458</u>
Commitments and contingencies (Note 12)		
Atlantic Tele-Network, Inc.'s Stockholders' Equity:		
Preferred stock, \$0.01 par value per share; 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.01 par value per share; 50,000,000 shares authorized; 15,725,057 and 15,732,382 shares issued, respectively, and 15,228,610 and 15,235,876 shares outstanding, respectively	157	157
Treasury stock, at cost; 496,447 and 496,506 shares, respectively	(4,560)	(4,576)
Additional paid-in capital	107,312	108,360
Retained earnings	132,866	154,709
Accumulated other comprehensive loss	(6,902)	(5,851)
Total Atlantic Tele-Network, Inc.'s stockholders' equity	<u>228,873</u>	<u>252,799</u>
Non-controlling interests	<u>32,787</u>	<u>28,999</u>
Total equity	<u>261,660</u>	<u>281,798</u>
Total liabilities and equity	<u>\$ 419,821</u>	<u>\$ 439,256</u>

The accompanying condensed notes are an integral part of these condensed consolidated financial statements.

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 and 2009
(Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2009	2008	2009
REVENUE:				
Wireless	\$ 30,388	\$ 42,880	\$ 74,927	\$ 111,120
Local telephone and data	12,807	13,918	37,321	40,471
International long distance	11,794	9,133	36,736	29,412
Other	919	11	2,968	1,200
Total revenues	55,908	65,942	151,952	182,203
OPERATING EXPENSES (<i>excluding depreciation and amortization unless otherwise indicated</i>):				
Termination and access fees	9,612	11,250	25,544	32,583
Internet and programming	869	422	2,631	1,609
Engineering and operations	6,431	6,519	18,217	20,976
Sales and marketing	3,123	4,073	8,741	11,473
General and administrative	7,228	8,694	19,902	26,290
Acquisition-related charges	—	2,072	59	2,479
Depreciation and amortization	8,289	9,763	22,790	28,756
Total operating expenses	35,552	42,793	97,884	124,166
Income from operations	20,356	23,149	54,068	58,037
OTHER INCOME (EXPENSE):				
Interest expense	(733)	(1,228)	(2,049)	(3,582)
Interest income	344	354	1,322	1,063
Other income, net	(4)	13	364	49
Other income (expense), net	(393)	(861)	(363)	(2,470)
INCOME BEFORE INCOME TAXES	19,963	22,288	53,705	55,567
Income taxes	8,538	9,919	22,570	24,217
INCOME BEFORE EQUITY IN EARNINGS OF UNCONSOLIDATED AFFILIATES	11,425	12,369	31,135	31,350
Equity in earnings of unconsolidated affiliates	—	—	735	—
NET INCOME	11,425	12,369	31,870	31,350
Less: Net income attributable to non-controlling interests, net of tax of \$0.8 million and \$0.7 million for the three months ended September 30, 2008 and 2009, respectively, and \$2.7 million and \$2.1 million for the nine months ended September 30, 2008 and 2009, respectively	(1,286)	(433)	(3,659)	(976)
NET INCOME ATTRIBUTABLE TO ATLANTIC TELE-NETWORK, INC. STOCKHOLDERS	\$ 10,139	\$ 11,936	\$ 28,211	\$ 30,374
NET INCOME PER WEIGHTED AVERAGE SHARE ATTRIBUTABLE TO ATLANTIC TELE-NETWORK, INC. STOCKHOLDERS:				
Basic	\$ 0.67	\$ 0.78	\$ 1.85	\$ 1.99
Diluted	\$ 0.66	\$ 0.78	\$ 1.85	\$ 1.98
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	15,203	15,237	15,216	15,233
Diluted	15,266	15,398	15,281	15,304
DIVIDENDS PER SHARE APPLICABLE TO COMMON STOCK	\$ 0.18	\$ 0.20	\$ 0.50	\$ 0.56

The accompanying condensed notes are an integral part of these condensed consolidated financial statements.

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2009
(Unaudited)
(Dollars in thousands)

	Nine Months Ended September 30,	
	2008	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 31,870	\$ 31,350
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	22,790	28,756
Provision for doubtful accounts	1,204	1,104
Amortization of debt discount and debt issuance costs	115	388
Stock-based compensation	860	1,019
Deferred income taxes	400	596
Equity in earnings of unconsolidated affiliates	(735)	—
Dividends received from Bermuda Digital Communications, Ltd.	1,106	—
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable	654	(6,251)
Materials and supplies, prepayments, and other current assets	1,368	1,736
Prepaid income taxes	—	10,708
Accounts payable and accrued liabilities, advance payments and deposits and other current liabilities	(3,627)	800
Accrued taxes	(9,457)	1,267
Other	(6,926)	(672)
Net cash provided by operating activities	39,622	70,801
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(34,611)	(40,273)
Acquisitions of businesses, net of cash acquired of \$5,736 and \$0, respectively	(23,052)	(24)
Acquisition of assets	—	(25)
Purchase of short-term marketable securities	(162)	—
Maturity of short-term marketable securities	—	2,956
Decrease (increase) in restricted cash	4,831	(3,578)
Net cash used in investing activities	(52,994)	(40,944)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid on common stock	(7,293)	(8,224)
Distributions to non-controlling interests	(2,159)	(5,543)
Borrowings of long-term debt	75,000	—
Repayments of long-term debt	(50,188)	(564)
Investments made by non-controlling interests	—	200
Proceeds from stock option exercises	304	74
Purchase of common stock	(1,164)	(23)
Net cash provided by (used in) financing activities	14,500	(14,080)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,128	15,777
CASH AND CASH EQUIVALENTS, beginning of the period	71,173	79,665
CASH AND CASH EQUIVALENTS, end of the period	<u>\$ 72,301</u>	<u>\$ 95,442</u>

The accompanying condensed notes are an integral part of these condensed consolidated financial statements.

ATLANTIC TELE-NETWORK, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS OPERATIONS

Atlantic Tele-Network, Inc. (“ATN” or “Company”) provides wireless and wireline telecommunication services in the Caribbean and North America through the following operating subsidiaries:

- Commnet Wireless, LLC (“Commnet”), an owner and operator of wholesale wireless networks in rural areas of the United States. Commnet provides wireless voice and data communications roaming services principally to national, regional and local wireless carriers. Commnet generated approximately 36% and 48% of the Company’s consolidated revenues for the three months ended September 30, 2008 and 2009, respectively. ATN acquired Commnet in 2005 and currently owns 100% of Commnet’s equity.
- Guyana Telephone & Telegraph Company, Ltd. (“GT&T”), the national and international telephone company in the Republic of Guyana and the largest wireless service provider in that country. The Company has owned 80% of the stock of GT&T since January 1991. GT&T generated approximately 44% and 34% of the Company’s consolidated revenues for the three months ended September 30, 2008 and 2009, respectively.
- Bermuda Digital Communications, Ltd. (“BDC”), a leading wireless voice and data communications service provider in Bermuda, doing business under the name “Cellular One”. The Company acquired an equity interest in, and signed a management contract with, BDC in 1998. On May 15, 2008, BDC completed a share repurchase of its common stock. ATN did not tender any shares for repurchase, and, as a result of the transaction, increased its holdings from approximately 43% to approximately 58% of BDC’s outstanding common stock. Prior to this increase in holdings, the Company accounted for its investment in BDC under the equity method and earnings from BDC did not appear in its income from operations, but were instead reflected in equity in earnings of unconsolidated affiliates. Effective with the completion of that share repurchase, the Company began consolidating BDC’s balance sheet and results of operations. In September 2008, BDC began providing wireless services in Turks and Caicos through Islandcom Telecommunications, Ltd.
- Sovernet, Inc. (“Sovernet”), a facilities-based integrated voice, broadband data communications and dial-up service provider in New England and New York State. Sovernet’s retail telecommunications service is delivered to business and residential customers in Vermont and New Hampshire. Through an acquisition made in 2008, Sovernet also delivers wholesale transport services in New York State through its subsidiary, ION.
- Choice Communications, LLC (“Choice”), a leading provider of fixed and portable wireless broadband data and dial-up internet services to retail and business customers in the U.S. Virgin Islands. Choice was acquired by ATN in 1999 and is a wholly owned subsidiary of the Company. Choice discontinued its wireless television service on May 31, 2009 to focus mainly on providing wireless broadband data services.

ATN provides management, technical, financial, regulatory, and marketing services to its subsidiaries and typically receives a management fee equal to approximately 3% to 6% of their respective revenues. Management fees from consolidated subsidiaries are eliminated in consolidation. ATN received management fees from unconsolidated affiliates in 2008, which are included in “Other Income” in the accompanying statements of operations.

2. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The financial information included herein is unaudited; however, the Company believes such information and the disclosures herein are adequate to make the information presented not misleading and reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair statement of the Company’s financial position and results of operations for such periods. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. Results of interim periods may not be indicative of results for the full year. These condensed consolidated financial statements and related notes should be read in conjunction with the Company’s 2008 Annual Report on Form 10-K.

Consolidation

The consolidated financial statements include the accounts of the Company, its majority-owned subsidiaries and certain entities, which are consolidated in accordance with the provisions of Financial Accounting Standards Board (“FASB”) authoritative guidance on the consolidation of variable interest entities, since it is determined that the Company is the primary beneficiary of these entities. Revenue from these entities constitutes less than 1% of total Company revenue.

Reclassifications

In December 2007, the FASB issued new authoritative guidance requiring (i) that non-controlling (minority) interests be reported as a component of stockholders’ equity, (ii) that net income attributable to the parent and the non-controlling interest be separately identified in the consolidated statements of operations, (iii) that changes in a parent’s ownership interest while the parent retains the controlling interest be accounted for as equity transactions, (iv) that any retained non-controlling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value, and (v) that sufficient disclosures are provided that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Company adopted the provisions of the new guidance in the first quarter of 2009. As a result of the adoption, the Company has reported non-controlling interests as a component of equity in the condensed consolidated balance sheets and the net income attributable to non-controlling interests has been separately identified in the condensed consolidated statement of operations. The prior periods presented have also been reclassified to conform to the current classification required by the new guidance.

Recent Accounting Pronouncements

Recently Adopted Standards

In June 2009, the Financial Accounting Standards Board (“FASB”) issued guidance which changed the referencing of financial standards and the Hierarchy of Generally Accepted Accounting Principles and is effective for interim or annual financial periods ending after September 15, 2009. The Company adopted the provisions of the new guidance in the third quarter of 2009 and updated its interim disclosures.

In May 2009, the FASB issued guidance that modified the definition of what qualifies as a subsequent event—those events or transactions that occur following the balance sheet date, but before the financial statements are issued, or are available to be issued—and required companies to disclose the date through which it has evaluated subsequent events and the basis for determining that date. The Company adopted the provisions of the new guidance in the second quarter of 2009.

In April 2009, the FASB issued new authoritative guidance that requires the recognition of an other-than-temporary impairment when an entity has the intent to sell a debt security or when it is more likely than not that an entity will be required to sell the debt security before its anticipated recovery in value. Additionally, the new guidance changes the presentation and amount of other-than-temporary impairment losses recognized in the income statement for instances in which the Company does not intend to sell or it is more likely than not that the Company will not be required to sell a debt security prior to the anticipated recovery of its remaining cost basis. In addition to the changes in measurement and presentation, the new guidance expands the disclosures related to other-than-temporary impairments and require all such disclosures to be included in both interim and annual periods. The provisions of the new guidance were effective for the three month period ended June, 30, 2009. The adoption of the provisions of this guidance did not have a material impact on the Company’s consolidated financial statements.

In April 2009, the FASB issued new authoritative guidance for determining when a transaction is not orderly and for estimating fair value in accordance with FASB standards when there has been a significant decrease in the volume and level of activity for an asset or liability. The guidance requires the disclosure of the inputs and valuation techniques used, as well as any changes in valuation techniques and inputs used during the period, to measure fair value in interim and annual periods. In addition, the new guidance requires that the presentation of the fair value hierarchy be presented by major security type in accordance with FASB guidance. The adoption of the provisions of this guidance did not have a material impact on the Company’s consolidated financial statements.

In December 2007, the FASB issued new authoritative guidance that requires the Company to revise its application of the acquisition method for business combinations in a number of significant aspects such as requiring the Company to expense transaction costs and to recognize 100% of the acquiree’s assets and liabilities rather than a proportional share for acquisitions of less than 100% of a business. In addition, the guidance eliminates the step acquisition model and provides that all business combinations, whether full, partial, or step acquisitions, results in all assets and liabilities of an acquired business being recorded at their fair values at the acquisition date. The Company

adopted the provisions of this guidance on January 1, 2009. The impact of the provisions of this guidance on the Company's financial statements will be dependent upon the number of and magnitude of the acquisitions that are consummated.

In April 2009, the FASB issued new authoritative guidance which amends the initial and subsequent measurement guidance and disclosure requirements for assets and liabilities arising from contingencies in a business combination. The provisions of this guidance are effective on a prospective basis for all business combinations for which the acquisition date is on or after January 1, 2009.

In January 2009, the FASB issued new authoritative guidance that requires disclosures about the fair value of financial instruments in interim financial statements as well as in annual financial statements. Additionally, this guidance requires those disclosures in all interim financial statements. The Company adopted the provisions of this guidance, as required, for the period ended June 30, 2009. The adoption of the provisions of this guidance did not have a material impact on the Company's consolidated financial statements.

Standards to be Adopted

In December 2008, the FASB issued new authoritative guidance that provides additional guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The adoption of the provisions of this guidance will increase the disclosures in the financial statements related to the assets of an employers' defined benefit pension plan. This guidance is effective in 2010. The Company does not anticipate that adoption of the provisions of this guidance will have a material impact on the consolidated financial statements.

In June 2009, the FASB issued new authoritative guidance that amends certain guidance for determining whether an entity is a variable interest entity (VIE). The guidance requires an enterprise to perform an analysis to determine whether the Company's variable interests give it a controlling financial interest in a VIE. A company would be required to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining whether it has the power to direct the activities of the VIE that most significantly impact the entity's economic performance. In addition, this guidance amends earlier guidance requiring ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE. The guidance is effective for the Company for fiscal year 2010. The Company does not anticipate that the adoption of the provisions of this guidance will have a material impact on the consolidated financial statements.

3. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates relate to allowance for doubtful accounts, useful lives of the Company's fixed and finite-lived intangible assets, allocation of purchase price to assets acquired and liabilities assumed in purchase business combinations, fair value of indefinite-lived intangible assets, goodwill and income taxes. Actual results could differ significantly from those estimates.

4. PENDING ACQUISITION- ALLTEL ASSETS

On June 9, 2009, the Company entered into a Purchase Agreement (the "Purchase Agreement") with Cellco Partnership d/b/a Verizon Wireless ("Verizon") to acquire wireless assets previously acquired by Verizon in its acquisition of Alltel Corporation in certain, primarily rural, markets in Georgia, North Carolina, South Carolina, Illinois, Ohio and Idaho. Pursuant to the terms of the Purchase Agreement, Verizon will cause certain licenses, network assets, tower and other leases, and other assets and certain related liabilities to be contributed to a newly formed, wholly-owned subsidiary limited liability company, whose membership interests will

be acquired by the Company for a purchase price of approximately \$200 million (the “Alltel Acquisition”). Verizon is required to divest these assets under consent decrees it entered into with the U.S. Department of Justice related to its purchase of Alltel Corporation earlier this year.

The parties have agreed to a variety of customary covenants and agreements, including with respect to confidentiality, cooperation (including with respect to regulatory matters), the conduct of the business to be acquired in the ordinary course consistent with past practice and other restrictions on the operation of such business prior to the consummation of the Alltel Acquisition, public announcements and similar matters. Consummation of the Alltel Acquisition is subject to the satisfaction of certain conditions, including, among others, (i) the receipt of the United States Department of Justice’s approval of the Alltel Acquisition, (ii) the receipt of all required consents of the Federal Communications Commission to the transfer, assignment or change in control of certain licenses pursuant to the Alltel Acquisition, (iii) the receipt of required consents from state public utility commissions, if any, and (iv) the absence of any injunction or final judgment prohibiting the consummation of the Alltel Acquisition. Consummation of the Alltel Acquisition is not subject to any financing condition. In conjunction with the Alltel Acquisition, the Company has received commitments from lenders for an expanded credit facility consisting of a \$75 million term loan (“Term Loan A”), a \$150 million term loan (“Term Loan B”) and a \$75 million revolving credit facility (the “New Revolver Facility,” and together with Term Loan A and Term Loan B, the “New Credit Facility”). The New Credit Facility would replace the 2008 Credit Facility. The Company plans to use cash on hand, the proceeds from Term Loan B and a portion of the proceeds available under the New Revolver Facility towards the acquisition purchase price and related acquisition expenses and working capital adjustments. The New Credit Facility is subject to the execution of definitive documentation and other customary closing conditions. The Company expects to enter into the New Credit Facility in the fourth quarter of 2009.

5. FAIR VALUE MEASUREMENTS

The Company’s financial instruments at September 30, 2009 included cash and cash equivalents, restricted cash, accounts receivable, accounts payable, debt and an interest rate swap agreement. As of September 30, 2009, the estimated fair values of all of the Company’s financial instruments approximate their carrying values.

The FASB’s authoritative guidance on fair value measurements provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The FASB also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs required by the authoritative guidance, as well as the assets and liabilities that we value using those levels of inputs.

The following tables present information (in thousands) about our monetary assets and liabilities that are measured and recorded at fair value on a recurring basis and indicates the fair value hierarchy of the valuation and recorded

techniques we utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and includes situations where there is little, if any, market activity for the asset or liability. As of December 31, 2008 and September 30, 2009, the Company did not have any Level 3 assets or liabilities.

December 31, 2008				
Description	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ 19,367	\$ —	\$ —	\$ 19,367
Certificates of deposit	—	5,456	—	5,456
Total assets measured at fair value	\$ 19,367	\$ 5,456	\$ —	\$ 24,823
Interest rate swap (Note 7)	\$ —	\$ 8,020	\$ —	\$ 8,020
Total liabilities measured at fair value	\$ —	\$ 8,020	\$ —	\$ 8,020

September 30, 2009				
Description	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ 16,212	\$ —	\$ —	\$ 16,212
Certificates of deposit	—	4,917	—	4,917
Total assets measured at fair value	\$ 16,212	\$ 4,917	\$ —	\$ 21,129
Interest rate swap (Note 7)	\$ —	\$ 6,269	\$ —	\$ 6,269
Total liabilities measured at fair value	\$ —	\$ 6,269	\$ —	\$ 6,269

6. LONG-TERM DEBT

Long-term debt comprises the following (in thousands):

	December 31, 2008	September 30, 2009
Note payable- \$75 million term loan	\$ 74,625	\$ 74,062
Less: current portion	(750)	(750)
Total long-term debt	73,875	73,312
Less: debt discount	(564)	(501)
Net carrying amount	<u>\$ 73,311</u>	<u>\$ 72,811</u>

2008 Loan Facility

On September 10, 2008, the Company, as borrower, entered into a credit agreement with CoBank, ACB and other lenders as referenced within the credit agreement (the “2008 CoBank Credit Agreement”). The 2008 CoBank Credit Agreement replaced the 2005 Credit Agreement and provides a \$75 million term loan (the “2008 Term Loan”) as well as a \$75 million revolving credit facility (the “2008 Revolver Facility”, and together with the 2008 Term Loan, the “2008 Credit Facility”). The 2008 CoBank Credit Agreement also provides, subject to lender consent, additional term loan borrowing capacity of up to \$50 million with identical terms as the 2008 Term Loan.

The 2008 Term Loan matures on September 10, 2015 and requires quarterly repayments of principal of \$0.2 million through June 30, 2013 and quarterly repayments of principal of \$1.4 million from June 30, 2013 to June 30, 2015. The remaining outstanding principal balance is to be repaid on September 10, 2015 when the 2008 Term Loan matures.

The 2008 Revolver Facility matures on September 10, 2014 and includes a \$5 million letter of credit facility. At September 30, 2009, no amounts had been drawn under the 2008 Revolver Facility.

All borrowings under the 2008 Credit Facility bear interest at a rate, selected by the Company from one of the options set forth in the agreement, plus a margin. Such interest rate options include i) a base rate, defined as the greater of the prime rate or the federal funds rate plus 0.5%, or ii) a LIBOR rate. Margins for base rate borrowings range from 0% to 0.5%, depending upon the Company’s leverage ratio, while margins for LIBOR borrowings range from 1.25% to 2% also depending upon the Company’s leverage ratio. Borrowings as of September 30, 2009, including the interest rate swap agreement discussed in Note 7, were bearing a weighted-average interest rate of 5.25%.

The 2008 Credit Facility is guaranteed by the Company’s Commnet, Sovernet and Choice subsidiaries, along with certain of the Company’s other domestic subsidiaries, and is collateralized by a security interest in substantially all of the assets of the Company and the guarantor subsidiaries, including Commnet, Sovernet and Choice, and a pledge of the stock of certain of the Company’s direct and indirect, domestic and foreign, subsidiaries, including its principal operating subsidiaries, and stock owned by the Company.

The 2008 CoBank Credit Agreement contains certain affirmative and negative covenants of the Company and its subsidiaries. Among other things, these covenants restrict the Company's ability to incur additional debt in the future or to incur liens on its property. The 2008 Credit Agreement also requires the Company to maintain certain financial ratios including a net leverage ratio of

less than or equal to 3.0 to 1, an interest coverage ratio of greater than or equal to 3.5 to 1 and an equity to assets ratio of greater than or equal to 0.4 to 1. As of September 30, 2009, the Company was in compliance with all of the financial covenants of the 2008 CoBank Credit Agreement.

See Note 7 for a discussion regarding the Company's interest rate swap that corresponds to a portion of our variable rate debt in order to effectively hedge interest rate risk. In conjunction with the Alltel Acquisition, the Company has received commitments from lenders for an expanded credit facility consisting of a \$75 million term loan ("Term Loan A"), a \$150 million term loan ("Term Loan B") and a \$75 million revolving credit facility (the "New Revolver Facility," and together with Term Loan A and Term Loan B, the "New Credit Facility"). The New Credit Facility would replace the 2008 Credit Facility. The Company plans to use cash on hand, the proceeds from Term Loan B and a portion of the proceeds available under the New Revolver Facility towards the acquisition purchase price and related acquisition expenses and working capital adjustments. The New Credit Facility is subject to the execution of definitive documentation and other customary closing conditions. The Company expects to enter into the New Credit Facility in the fourth quarter of 2009.

7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

As required by the FASB's authoritative guidance on accounting for derivative instruments and hedging activities, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

Risk Management Objective of Using Derivatives

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses an interest rate swap as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of interest rate swaps designated and that qualify as cash flow hedges is recorded in Accumulated Other Comprehensive Income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three months and nine months ended September 30, 2009, a derivative was used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. No hedge ineffectiveness was recognized during the three and nine months ended September 30, 2009.

Amounts reported in accumulated other comprehensive income related to the interest rate swap will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. Through September 30, 2010, the Company estimates that an additional \$2.7 million will be reclassified as an increase to interest expense due to the interest rate swap since the hedge interest rate exceeds the variable interest rate on the debt.

As of September 30, 2009, the Company's sole derivative instrument was an interest rate swap with a notional amount of \$68 million that was designated as a cash flow hedge of interest rate risk.

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The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated balance sheet as of September 30, 2009 (in thousands):

	Liability Derivatives as of September 30, 2009	
	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under SFAS 133:		
Interest Rate Swap	Other long-term liabilities	\$ 6,269
Total derivatives designated as hedging instruments under SFAS 133		<u>\$ 6,269</u>

The table below presents the effect of the Company's derivative financial instruments on the statement of operations for the three months ended September 30, 2009 (in thousands):

Derivatives in SFAS 133 Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
Interest Rate Swap	\$ (1,439)	Interest expense	\$ 719

The table below presents the effect of the Company's derivative financial instruments on the statement of operations for the nine months ended September 30, 2009 (in thousands):

Derivatives in SFAS 133 Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
Interest Rate Swap	\$ 1,652	Interest expense	\$ 2,067

Credit-risk-related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

As of September 30, 2009, the fair value of the interest rate swap liability position, related to these agreements was \$6.3 million. As of September 30, 2009, the Company has not posted any collateral related to this agreement. If the Company had breached any of these provisions at September 30, 2009, it would have been required to settle its obligation under the agreement at its termination value of \$6.4 million.

8. RECONCILIATION OF TOTAL EQUITY

Total equity was as follows (in thousands):

	Nine Months Ended September 30,					
	2008			2009		
	Atlantic Tele- Network, Inc.	Non-Controlling Interests	Total Equity	Atlantic Tele- Network, Inc.	Non-Controlling Interests	Total Equity
Equity, beginning of period	\$ 208,971	\$ 27,236	\$ 236,207	\$ 228,873	\$ 32,787	\$ 261,660
Stock based compensation	860	—	860	1,019	—	1,019
Comprehensive income:						
Net income	28,211	3,659	31,870	30,374	976	31,350
Other comprehensive income(loss)- Gain(loss) on interest rate swap (net of tax)	(636)	—	(636)	1,036	—	1,036
Total comprehensive income	27,575	3,659	31,234	31,410	976	32,386
Issuance of common stock upon exercise						

of stock options	304	—	304	74	—	74
Dividends on common stock	(7,605)	(2,158)	(9,763)	(8,531)	(5,543)	(14,074)
Investments made by minority shareholders	—	—	—	—	781	781
Purchase of common shares	(1,164)	—	(1,164)	(23)	—	(23)
Non-controlling interest in entity acquired	—	5,075	5,075	(23)	(2)	(25)
Equity, end of period	<u>\$ 228,941</u>	<u>\$ 33,812</u>	<u>\$ 262,753</u>	<u>\$ 252,799</u>	<u>\$ 28,999</u>	<u>\$ 281,798</u>

9. STOCK-BASED COMPENSATION

During the three months ended September 30, 2008 and 2009, the Company recognized \$0.2 million and \$0.4 million, respectively, of non-cash compensation expense relating to grants under the 1998 Stock Option Plan, the 2005 Restricted Stock and Incentive Plan and the 2008 Equity Incentive Plan (the “Share Based Plans”). During the nine months ended September 30, 2008 and 2009, the Company recognized \$0.9 million and \$1.0 million, respectively, of non-cash compensation expense relating to grants under the Share Based Plans.

10. NET INCOME PER SHARE

For the three and nine months ended September 30, 2008 and 2009, outstanding stock options were the only potentially dilutive securities.

The reconciliation from basic to diluted weighted average common shares outstanding is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2009	2008	2009
Basic weighted average common shares outstanding	15,203	15,237	15,216	15,233
Stock options	63	161	65	71
Diluted weighted average common shares outstanding	15,266	15,398	15,281	15,304

The above calculation for the three months ended September 30, 2008 does not include 229,000 shares related to certain stock options because the effects of such were anti-dilutive. For the nine months ended September 30, 2008 and 2009, the calculation does not include 221,000 and 219,000 shares, respectively, related to certain stock options because the effect of such options were anti-dilutive.

11. SEGMENT REPORTING

The Company has five reportable segments for separate disclosure in accordance with the FASB’s authoritative guidance on disclosures about segments of an enterprise. Those five segments are: i) Integrated Telephony-International, which generates all of its revenues in Guyana and has all of its assets located in Guyana, ii) Rural Wireless, which generates all of its revenues in the United States and has all of its assets located in the United States, iii) Island Wireless, which generates its revenues in and has its assets in Bermuda and Turks and Caicos, iv) Integrated Telephony-Domestic, which generates all of its revenues and has all of its assets located in the United States and v) Wireless Data, which generates all of its revenues in and has all of its assets located in the U.S Virgin Islands. The operating segments are managed separately because each offers different services and serves different markets.

Island Wireless became a reportable segment upon completion of BDC’s share repurchase and resulting increase in the Company’s equity interest in BDC, effective May 15, 2008. Effective May 31, 2009, the Company discontinued providing wireless television services, and therefore has changed the name of its segment from “Wireless Television and Data” to “Wireless Data”. The Company determined that the wireless television services operations were immaterial for reporting as discontinued operations in the Company’s financial statements.

The following tables, which for 2008 have been conformed to the 2009 presentation, provide information for each operating segment (in thousands):

For the Three Months Ended September 30, 2008							
	Integrated Telephony- International	Rural Wireless	Island Wireless	Integrated Telephony- Domestic	Wireless Data	Reconciling Items	Consolidated
Revenues	\$ 24,725	\$ 19,877	\$ 5,109	\$ 4,148	\$ 2,049(1)	\$ —	\$ 55,908
Depreciation and amortization	4,212	2,504	705	516	278	74	8,289
Non-cash stock-based compensation	—	—	—	32	—	174	206
Operating income (loss)	10,411	10,846	1,228	147	(601)	(1,675)	20,356
For the Three Months Ended September 30, 2009							
	Integrated Telephony- International	Rural Wireless	Island Wireless	Integrated Telephony- Domestic	Wireless Data	Reconciling Items	Consolidated
Revenues	\$ 22,710	\$ 31,837	\$ 5,518	\$ 4,784	\$ 1,093	\$ —	\$ 65,942
Depreciation and amortization	4,180	3,812	922	567	209	73	9,763
Non-cash stock-based compensation	—	—	—	32	—	332	364
Operating income (loss)	8,590	18,837	349	84	(449)	(4,262)	23,149
For the Nine Months Ended September 30, 2008							
	Integrated Telephony- International	Rural Wireless	Island Wireless	Integrated Telephony- Domestic	Wireless Data	Reconciling Items	Consolidated
Revenues	\$ 74,615	\$ 51,284	\$ 8,074	\$ 11,578	\$ 6,401(1)	\$ —	\$ 151,952
Depreciation and amortization	12,559	6,710	981	1,366	951	223	22,790
Non-cash stock-based compensation	—	—	—	95	—	765	860
Operating income (loss)	32,116	26,024	2,166	1,280	(1,407)	(6,111)	54,068
For the Nine Months Ended September 30, 2009							
	Integrated Telephony- International	Rural Wireless	Island Wireless	Integrated Telephony- Domestic	Wireless Data	Reconciling Items	Consolidated
Revenues	\$ 68,140	\$ 79,276	\$ 16,216	\$ 14,122	\$ 4,449(1)	\$ —	\$ 182,203
Depreciation and amortization	12,560	10,661	2,396	1,966	953	220	28,756
Non-cash stock-based compensation	—	—	—	95	—	924	1,019
Operating income (loss)	26,670	42,552	785	(644)	(2,176)	(9,150)	58,037

- (1) Includes \$0.9 million of wireless television services for the three months ended September 30, 2008. Also includes \$3.0 million and \$1.2 million of wireless television services for the nine months ended September 30, 2008 and 2009, respectively. This service was discontinued on May 31, 2009.

Segment Assets							
	Integrated Telephony- International	Rural Wireless	Island Wireless	Integrated Telephony- Domestic	Wireless Data	Reconciling Items	Consolidated
December 31, 2008							
Net fixed assets	\$ 111,417	\$ 58,782	\$ 13,224	\$ 9,820	\$ 4,546	\$ 441	\$ 198,230
Goodwill	—	32,148	618	7,471	—	—	40,237
Total assets	166,168	123,793	41,687	25,952	5,796	56,425	419,821

Segment Assets							
	Integrated Telephony- International	Rural Wireless	Island Wireless	Integrated Telephony- Domestic	Wireless Data	Reconciling Items	Consolidated
September 30, 2009							
Net fixed assets	\$ 112,012	\$ 65,920	\$ 16,339	\$ 9,032	\$ 4,109	\$ 235	\$ 207,647
Goodwill	—	32,148	722	7,491	—	—	40,361
Total assets	159,613	142,865	43,347	23,877	5,711	63,843	439,256

Capital Expenditures							
	Integrated Telephony- International	Rural Wireless	Island Wireless	Integrated Telephony- Domestic	Wireless Data	Reconciling Items	Consolidated
Nine Months Ended September 30,							
2008	\$ 13,792	\$ 19,097	\$ 890	\$ 418	\$ 400	\$ 14	\$ 34,611
2009	14,975	18,512	5,511	787	474	14	40,273

12. COMMITMENTS AND CONTINGENCIES

Regulatory and Litigation Matters

The Company and its subsidiaries are subject to certain regulatory and legal proceedings and other claims arising in the ordinary course of business, some of which involve claims for damages and taxes that are substantial in amount. The Company believes that, except for the items discussed below and in our 2008 Form 10-K for which the Company is currently unable to predict the final outcome, the disposition of proceedings currently pending will not have a material adverse effect on the Company's financial position or results of operations.

As previously disclosed in our prior public reports, the Government of Guyana has stated its intention to introduce additional competition into Guyana's telecommunications sector and held formal discussions with us in early 2008 regarding potential modifications of GT&T's exclusivity rights. In October 2008, GT&T was informally notified that the Government had retained the services of a U.S. based law firm and a consultant to develop the legislative and regulatory reforms necessary to introduce telecommunication competition in Guyana. Based on informal discussions with these parties, we currently expect draft legislation to be available in the first half of 2010. Our exclusive license has a stated expiration in December 2010 and is, according to its terms, renewable for an additional 20-year term at our option.

At this time, ATN and GT&T do not know whether or how any draft legislation will address GT&T's exclusive license, and if so, whether it would be pursuant to an agreement between GT&T and the Government of Guyana. Other than entering into such an agreement on terms acceptable to us, we would seek to enforce GT&T's rights by law and contract to be the exclusive provider of international voice and data services in Guyana. Although we believe that we would be entitled to damages for any involuntary termination of that license, we cannot guarantee that we would prevail in any court or arbitration proceeding. See "Business—Regulation—Regulation of Our GT&T Subsidiary—Regulatory Developments" and "Risk Factors—Our exclusive license to provide local exchange and international voice and data services in Guyana is subject to significant political and regulatory risk" in our 2008 Form 10-K.

On May 8, 2009, Digicel filed a lawsuit in Guyana challenging the legality of GT&T's exclusive license under Guyana's constitution. Digicel initially filed this lawsuit against the Attorney General of Guyana in the High Court. On May 13, 2009, GT&T petitioned to intervene in the suit in order to oppose Digicel's claims and that petition was granted on May 18, 2009. GT&T filed its answer to the charge on June 22, 2009 and the case is pending. We believe that any legal challenge to GT&T's exclusive license granted in 1990 is without merit and we will vigorously defend against such a legal challenge.

GT&T's exclusive license has previously been the subject of legal challenge on constitutional grounds. In July 2002, an individual sued the Attorney General of Guyana in the High Court asking, among other things, for a declaration that the section of our 1990 agreement with the Government of Guyana granting to GT&T an exclusive right to provide domestic fixed and international voice and data services in Guyana violated Guyana law and was null and void. In September 2002, GT&T joined the suit to oppose the plaintiff's claims. Although the suit remains pending, there have been no further developments since November 2002. See "Legal Proceedings" in our 2008 Form 10-K.

In a letter dated September 8, 2006, the National Frequency Management Unit ("NFMU") indicated that spectrum fees in 2008 and onward may be increased beyond the amount agreed between GT&T and the Government in previous years. In a September 14, 2006 letter to the Government, GT&T asserted that, by agreement with the Government, spectrum fees should be capped until the NFMU develops a fee methodology acceptable to all GSM spectrum licensees. In correspondence to GT&T in

June 2007, the NFMU stated that the cap on GSM spectrum fees would be removed in December 2007 but did not indicate whether a fee methodology would be developed. In its response to the NFMU, dated July 3, 2007, GT&T objected to the NFMU's proposed action and reiterated its position that an acceptable fee calculation methodology is necessary before the Government can assess spectrum fees. In a letter dated March 24, 2009, the NFMU requested information from GT&T for use in calculating spectrum fees for 2009. On October 28, 2009, GT&T and Digicel Guyana jointly submitted to the NFMU a proposed methodology for computing annual spectrum fees for mobile service providers and a proposed process for implementing the new fee structure. The proposed formula would calculate spectrum fees based on the quantity and frequencies of assigned bandwidth used by the operator and a value determined by the NFMU based on technical and use considerations.

By letter dated July 17, 2009, Digicel notified GT&T that it is terminating the interconnection agreement between Digicel and GT&T effective in 180 days. That agreement, which the companies signed on April 4, 2003, identifies the terms and conditions by which Digicel and GT&T networks are connected for the exchange of telecommunications traffic in Guyana. Without an interconnection agreement in place, calls originating on one network cannot be terminated on the other network and vice versa. Digicel has expressed its desire to renegotiate all terms of interconnection and asserts that it is terminating the existing interconnection agreement to compel GT&T to negotiate new terms and conditions immediately.

GT&T has frequently expressed to Digicel its willingness to negotiate a new interconnection agreement once there is more clarity from the Government of Guyana regarding the timing, scope and substance of its proposed telecommunications legislation, which is likely to affect any interconnection discussion. It is GT&T's belief that proceeding to renegotiate the terms and conditions of the interconnection agreement at this time would be premature, and that there will be ample time to do so once the Government's liberalization program is prepared and publicized. Nevertheless, in a letter dated August 25, 2009, GT&T proposed that negotiations begin in December 2009, and committed not to disconnect Digicel customers, upon effectiveness of Digicel's termination notification, while negotiations are in progress.

Except as set forth above, or described in Note 14, Subsequent Events, there have been no material developments in regulatory or litigation matters in the period covered by these interim Financial Statements. For further information concerning pending regulatory and litigation matters, see "Notes to Consolidated Financial Statements, Note 13, Commitments and Contingencies — Regulatory and Litigation Matters" in the Company's 2008 Annual Report on Form 10-K.

Pending Acquisition

On June 9, 2009, the Company entered into a Purchase Agreement with Verizon to acquire wireless assets in certain, primarily rural, markets in Georgia, North Carolina, South Carolina, Illinois, Ohio and Idaho. Pursuant to the terms of the Purchase Agreement, and subject to certain regulatory consents, Verizon will cause certain licenses, network assets, tower and other leases and other assets and certain related liabilities to be contributed to a newly formed, wholly-owned subsidiary limited liability company, whose membership interests will be acquired by the Company for a purchase price of approximately \$200 million. Verizon is required to divest these assets under consent decrees it entered into with the Department of Justice related to its purchase of Alltel Corporation earlier this year. For more information, see Note 4 to our Consolidated Financial Statements included in this Report.

13. RELATED PARTY TRANSACTION

Pending Sale of Certain Choice Television Assets

On November 3, 2009, upon approval by the Audit Committee of the Board of Directors, we entered into an agreement with Cornelius B. Prior, Jr., our Chairman and the father of our Chief Executive Officer, to sell to Mr. Prior the television assets of Choice for \$400,000 in cash. The assets, which are located in the US Virgin Islands, consist primarily of television transmission facilities, subscriber equipment and satellite receiver equipment. In December 2007, we wrote down our investment in these assets and began exploring strategic alternatives for their use or disposition. Choice discontinued its wireless television service in May 2009. We expect the sale to be completed by the end of 2009.

14. SUBSEQUENT EVENTS

In accordance with the authoritative guidance issued by the FASB on subsequent events, the Company has evaluated subsequent events from September 30, 2009 to the filing date of this report on the Form 10-Q on November 9, 2009. Other than the transaction noted in Note 13, there were no subsequent events required to be recognized or disclosed in the financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2008 Form 10-K. Some of the statements in the discussion are forward-looking statements, which are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. These risk factors include those discussed under Item 1A, "Risk Factors" in our 2008 Form 10-K and those set forth in this Report under "Cautionary Statement Regarding Forward-Looking Statements."